



## GRADUATE SCHOOL OF BUSINESS (GSB)

UNIVERSITY SAINS MALAYSIA

### DECLARATION

I hereby declare that the project is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at USM or any other institutions.

(Signature)

Name: LOH CHUN YEAN

Date: 17 March 2011

Internationalization and market  
penetration of ingress into Thailand;  
Issue of relocation beyond border

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## **LIST OF ABBREVIATION**

<b>AAT</b>	<b>Automotive Alliance Thailand</b>
<b>ASEAN</b>	<b>Association of Southeast Asian Nations</b>
<b>BOI</b>	<b>Board of Investment Thailand</b>
<b>DC</b>	<b>Daimler Chrysler</b>
<b>E&amp;E</b>	<b>Electronic and Electron</b>
<b>etc</b>	<b>et cetera</b>
<b>GDP</b>	<b>Growth domestic product</b>
<b>GM</b>	<b>General Motor</b>
<b>ICT</b>	<b>Information and Communication Technology</b>
<b>MMTh</b>	<b>Mitsubishi Motor Thailand</b>
<b>MIDA</b>	<b>Malaysia Investment Development Authority</b>
<b>MNC</b>	<b>Multinational Company</b>
<b>MSC</b>	<b>Malaysia National ICT Initiative</b>
<b>NAFTA</b>	<b>North America Free Trade Agreement</b>
<b>OICA</b>	<b>Organisation Internationale des Constructeurs d'Automobiles</b>
<b>PCB</b>	<b>Printed Circuit Board</b>
<b>PERODUA</b>	<b>Perusahaan Otomobil Kedua Sdn Bhd</b>
<b>PROTON</b>	<b>Perusahaan Automobil Nasional</b>
<b>R&amp;D</b>	<b>Research and Development</b>
<b>S&amp;P</b>	<b>Sales and Purchase</b>
<b>SQ</b>	<b>Square</b>
<b>TIV</b>	<b>Total Industry Volume</b>
<b>U.S.</b>	<b>United States</b>
<b>WTO</b>	<b>World Trade Organization</b>

## **ABSTRAK**

Kejayaan sebuah syarikat ditentukan dari prestasi syarikat. Kajian kes ini ditulis tentang kejayaan Ingress Autoventures selepas 12 tahun penubuhan di Thailand. Sementara itu, kajian ini ialah tentang penetrasi pasar Ingress di pasaran Thailand untuk mencapai misi syarikat mereka.

Tesis ini menggunakan kajian kualitatif menjelajahi - kajian kes yang mendalam. Selain itu, menjelajah rangka analisis SWOT untuk analisa dalaman syarikat; Balanced Scorecard digunakan untuk menilai prestasi syarikat di jalan kejayaan dan penetrasi pasar dengan menggunakan kekuatan 5 porter sebagai kerangka analitis. Keputusan kajian menunjukkan bahawa syarikat prasyarat untuk mempertahankan kontrak pelanggan saat ini dan mendapatkan kontrak pelanggan baru untuk mencapai misi tersebut.

Kata Kunci: Pengantarabangsaan, relokasi, penetrasi pasar.

## **ABSTRACT**

The success of a company is determined from the performance of the company. This case study is written about the success of Ingress Autoventures after the 12 years of establishment in Thailand. In the meantime, it studies about the market penetration of Ingress in Thailand market for achieve their company mission.

This thesis adopted exploratory qualitative research in an in – depth case study. Moreover, it explores the SWOT analytical framework for the firm internal analysis; Balance Scorecard was used to judge the performance of the company for in a way of success and market penetration is using porter 5 forces as an analytical framework. Research findings show that the company prerequisite to maintain current customer contract and get new customer contract for achieve the mission.

**Keyword:** internationalization, relocation, market penetration.

## **Chapter 1: Introduction**

With the beginning of a new world economy, there has been a lot of changes that the entire world has seen since the great depression back in the 30's to the time where the concept of introducing of international trade among economies is the foundation of today's macroeconomics. (Blinder, 2010) From then onwards where the world major economy blocks such as U.S., Europe and Japan were the seen as the primary engines of growth for the entire world were solely look to spur the world economy as it was deemed that other developing countries would not play a major part in the demand.

With that belief at hand, there has recently been a change that would require companies to expand their business internationally in order to remain in business. The concept of Internalization is a key factor for Ingress Corporation which is founded in Malaysia in 1991 to look forward to securing itself globally as a MNC whereby they can truly expand their business potential and carry out their products and brands towards a new market segment.

The key factor here is to consider the fact about the success relocation by Ingress Corporation to have an expansion towards Thailand. The relocation of the company to Thailand does indeed place it at a more competitive state due to the potential cost savings to manufacture the goods as well as for potential growth and market penetration when considering the economic leverage that Thailand and its government has to offer such as the tax benefits, efficiency and cost of production. The bold move to expand its production facilities to Thailand does indeed hold a very beneficial move as it has secured itself with a good market with a partnership with Honda.

Other than that, with the direction of the business to target both local and global automotive producers such as Auto Alliances (Thailand) and also Ford (U.S.) and also other international brands (Ingress Company website, 2010) there is a clear indication that Ingress is positioning itself as a global company to cater for the needs of customers from many regions. Because of the bold nature of the company to diversify (tutor2.net, 2010) its core business structure since 1991 and till now with two production plants under Autoventures Co. Ltd and with the relocation of Fine Components (Thailand) CO., LTD from Singapore they have exploited the chances for growth very well.

All of this can be proven very well based on the track record of their annual statement 2004 which indicates a clear aggressive growth in sales and revenue for the company. It would indeed seem that within the seven years that Ingress Autoventures has might also be attributed to the continuous support by the government of Thailand in forms of tax relief and other incentives which is an encouragement for the expansion to the automotive industry of the nation.

But overall with all the positive factors that attract the investment for growth, Ingress Autoventures should not overlook the political unstable of Thailand with the recent protest due to the provocation of the supports of ex Thailand Prime Minister Thaksin that has shaken the country and the capital city itself. The financial lost that time was estimated to be at 18.75 million Baht (The Nation, 2010) which then had many nations issuing warnings about going to Thailand and at the same time there was also indications of property loss due to the act of the rioting.

One other point to consider for the long run of the business is that since the riots that happened for during the 12<sup>th</sup> of March up to the 21<sup>st</sup> of May 2010, the countries credibility

rating has dropped from a A+ to an A, a move like that won't likely discourage any potential investors but it would indeed be a caution that if any such occurrence again, it would soon effect the business structure as can be seen in the drop in the share market index down a 7% due to the imposing of a state of emergency in April. There is also an attributed drop of 720 points for a few days after the stock market was forced to be closed after the riot.

### **1.1 Problem statement**

With the expansion into Thailand, it would indicate that Ingress is have made an aggressive stance to position itself as a multinational company that will be a contender in the production of automotive parts. The growth from a local Malaysian company to a company with branches in 2 of the neighboring countries does indeed indicate the driving mechanism that shows its potential for further growth.

When looking at the dynamics of the companies move over to Thailand and the adaptability of it to have its partnership with international automotive companies; namely Ford, Honda, Mitsubishi and Alliances Auto. With their relocation plans and the ability of the government to ensure that Ingress would have a competitive edge for further growth; it's a wonder what else that can be done for the local 'global' company to further strengthen their competitive edge and also to maintain a sustained growth for the years to come.

Looking at the gathered statistics from OICA would indicate that at this current top 5 brands of automotive producers would be from the countries of Japan, United States, Korea and Germany. (OICA, 2007) Of all the top 5 producers of the automotive industry only 1 of them, namely Honda is a current partner of Ingress.

The concept of market penetration would strongly suggest that the growth potential of Ingress to further increase its market development by looking at methods to further increase their alliance to the some of the major players further boost their market share and exposure as it will be a key point factor in helping them to be identified as a major company that would able to cater for the needs of the top automotive production companies.

So the current question would be on (a) Why does Ingress choose Thailand to invest? (b) How would Ingress be able to further strengthen their role to be one of the leaders of the manufactures for parts for the automotive industry and be able to maintain a healthy long term partnership with the current partners in Thailand? (c) What potential methods would Ingress need to take to further increase the market awareness and penetration towards the top 5 automotive manufacturers? (e) Would there be a potential for expansion of Ingress to further meet the production requirements and to cater for potential growth? With all these to consider, this would be base for the case study of Ingress.

## ***1.2 Research Objective***

This research will examine the relocation of Ingress Company in Thailand. This study will focus on penetration market of Thailand in automotive part industry and will look into the challenges and major threats that Ingress faces when opening a new plant in Thailand. Thus, the research questions are to provide insight into (1) Why choose Thailand and how successful is Ingress in setting up a plant in Thailand; (2) What does the company faced when it relocated the plant to Thailand; and to (3) What extent have Ingress manage to penetrate the Thailand's automotive part industry. The purposes for this case study are: -



- To evaluate the Ingress strategic decision about the success of setting up a plant in Thailand.
- How within three years, the company has managed to grow and set up another plant in different location of Thailand.
- To analyze the automotive industry and the way to penetrate automotive spare parts market in Thailand as well as in Asia.

### **1.3     *Significance of Study***

The topic had been explored in the light of expanding the plant into different country and the issue that the company was facing in that period. There are many thing need to be taken into account while set up the plant in other country. The primary focus of the study is more into the strategic and the way the company taken till today they had been success.

Second focus will be into the market penetration. Market penetration strategy seeks to raise market share of the current product in the presented market. The strategy need to be apply in the sale force, promotion of product and offering in sales. The company had their own market sales and to boost up the sales to another level, company need to know more about the giant company of automotive. The support of giant automotive will show the different in the company.

### **1.4     *Limitation of the Study***

This study is solely focus on the Ingress Company itself, so the results might not be representative of other company. Moreover, the study was considered to be limited to the relocated to Thailand and market penetration of Thailand and to a specific automotive

industry in Thailand. However, the thesis is not aimed to give any standard for industry practice nor it is providing some recommendation in term of how the company should apply the strategic. Rather author has presented a detailed case analysis in order to make this incident more understandable. Therefore, it is not suitable to construct generalization from finding in this study. However, the findings could be further tested in quantitative method.

### **1.5 *Organization of Remaining Chapters***

This study aims to present a business case of what it means to insert internationalization content of study by using the oversea company for the finding. Organization of this case study as follows:

- In Chapter 1, the research problem, research objectives and question, significance of the study and limitation of study have been reviewed.
- In Chapter 2, the background and current market of automotive industry has been reviewed.
- In Chapter 3, some review of relocation, internationalization, and market penetration. The Balance score card and Porter 5 forces model also been review in this chapter.
- In Chapter 4, the background, history, political, social, tax and policy of Thailand had been studied. The PESTEL had been used to compare of two different countries (Malaysia and Thailand) had been stated.
- In Chapter 5, the qualitative research had been carried out using the method of case study. Semi – structured questionnaire interview protocol is explained and observation of the company had been done in primary data collection. Secondary data

like documents, published material, computer database, financial report and policy statement had been widely used is also discussed in this chapter.

- In Chapter 6, company profile had been review. The depth and breadth of case is reviewed and the problem and issue is highlighted in this chapter.
- In Chapter 7, the SWOT analysis, PESTEL analysis, Balance Scorecard and Porter 5 forces are used to review the company strategic, performance and growth of the company.
- In Chapter 8, recommendation of the practical contribution and usefulness of finding are reviewed.

## Chapter 2: Industry Profile

### 2.0 Introduction

This Chapter stated briefly for the history of automotive industry, current market demand, two big manufacturer profiles and forecasting of automotive industry.

### 2.1 History of Automotive Industry

The word “automotive” was from Greek and Latin which mean “an integrated part of a man’s life”. (Brenda, 2009) In general it refers to a humble car. In year 1335 wind driven vehicles was design and it was the first “Guido da Vigevano”. (William W.B, 2010) The history of the car began in the year of 1770, Nicholas Joseph Cugnot, who build the three wheeled steam powered wagon and it is still preserved at the Musee des Arts et Metiers, Paris. (Allison, 1994)

The steam engine introduced in the year 1820 – 1840 then combustion engine was introduced by Karl Benz in the year of 1844 – 1929. In 1885, motorized bicycle was built by Gottlieb Daimler and in year 1886 four – wheel motor carriage was developed. Charles and Frank Duryea brother built the first gasoline powered car in America at in year 1893. Tatra<sup>1</sup> started manufacturing at year 1898 and in 1900 Puch’s<sup>2</sup> started the first car.

World famous car’s company Mercedes had registered its trademark in year 1902. In year 1906 - 1925, Roll Royce Silver Ghost of 1906 was produced and it was the best engineering and technology that available at that time. These cars still run smoothly and silently today. (William, W.B; 2010) World famous automotive companies like GM, Ford,

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<sup>1</sup> Tatra was the truck that has back-bone chassis and drive-line passing bown the centre of the back-bone. Image can be viewed from <http://www.allisons.org/ll/4/Tatra/>

<sup>2</sup> Puch refer to Steyr Daimler Puch. From <http://www.economypoint.org/s/steyr-daimler-puch.html>

Toyota and Volkswagen was producing their company's first car in year 1908, 1936 and 1952. (Allison, 1994)

The introduced of mechanical brakes on all four wheels was in the year of 1920s. In the meantime, Henry Ford (the founder of Ford Motor Company) had introduced a new model cars lead to the rapid growth of the automotive industry. (Anythingaboutcar.com, 2010) In 1930s, automotive industry started focused more into aerodynamic design and internal of the cars like heaters and radios. (Anythingaboutcar.com, 2010)

In 1940s, this was the World War II period and the automotive industry was shut down for a few years. The cost of the cars at that period was USD\$800. (Anythingaboutcar.com, 2010) In year 1950s, the cars more looked into marvelous way which was based on design to be lower longer and wider. The stylish of car started appear at that period. (Anythingaboutcar.com, 2010)

In year 1960s, it was a change of Civil Rights as led by Martin Luther King Jr. It was a time of advent of economy, power and pony cars for automotive history. The cost of the cars in that time was USD\$2,752. (Anythingaboutcar.com, 2010) In year 1970s, average new cars cost around USD\$3,542 and a gallon of gas went for 36 cents. In the meantime, inflation rose (around 10 percent) and the impact to the industry was the production reached its all – time peak as a steady growth was going on. (Anythingaboutcar.com, 2010)

In year 1980s and 1990, automotive industries focused on factor that affects output, employment trends, and its market. The trend was more into improving quality of the cars. (Christopher J.S, 1992) Charts below showed at the end of 1980s till 1998 the growth of motor vehicle assembly, part and stampings. This showed the result that the automotive industry was boost of productivity.

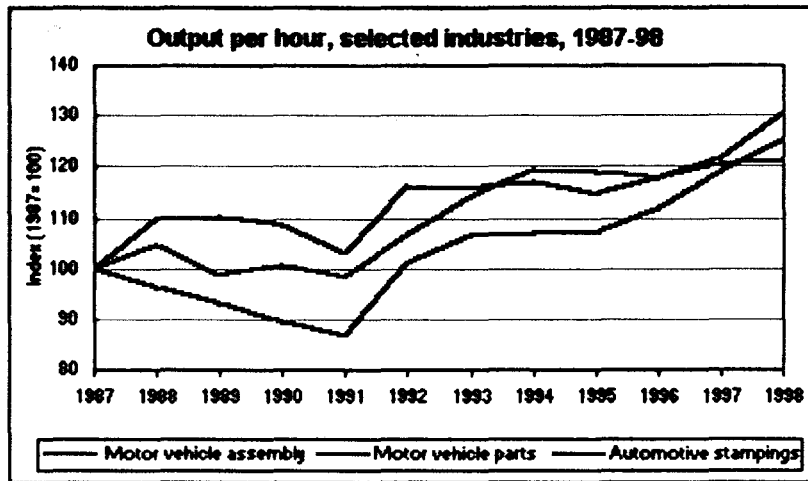


Figure 2.1: Output per hour for automotive part in year 1987 - 1998

Started year 2000, the trend of automotive industry was into brand name. People prefer cars that were expensive, assured of quality, and design of cars was stylish. The cost of a luxury car was around USD\$ 40,000. People tend to be more prestige while purchased cars looked more into brand name, like BMW 3 series, Volvo's 40 series, Mercedes Benz E or S class, and Lexus GS. (Bestcars.com, 2011) At the end of 2000s, it was a crisis of automotive industry. The demand of cars drops dramatically due to the financial crisis that hits the U.S and Europe market. The "Detroit 3" (GM, Ford and Chrysler) was suffering in the crisis and facing bankruptcy in year 2008 and 2009. Table 1 below showed the data of Detroit plant closing at the period of 2007 – 2011. Therefore, the announced of bankruptcy for Detroit affect strongly for the economy of U.S. However, the effect of financial crisis at that period makes the unemployment rates increase.

Table 2.1: Closures of U.S. Car and Truck Assembly Plants, 2007 – 2011 (as of July 29, 2009)

Date	Manufacturer	Location
May 2007	Ford	Wixom, Michigan
June 2007	Ford	Norfolk, Virginia
September 2008	General Motors	Doraville, Georgia
October 2008	Chrysler LLC	St. Louis, Missouri (St. Louis South)
December 2008	Chrysler LLC	Newark, Delaware
December 2008	General Motors	Janesville, Wisconsin
December 2008	General Motors	Moraine, Ohio
April 2009	General Motors	Janesville, Wisconsin (Janesville 3)
July 2009	General Motors	Flint, Michigan (Line #3)
July 2009	Chrysler LLC	Warren, Michigan
July 2009	General Motors	Wilmington, Delaware
October 2009	General Motors	Pontiac, Michigan
November 2009	General Motors	Spring Hill, Tennessee (on standby production)
December 2009	Chrysler Group LLC	St. Louis, Missouri (St. Louis, North)
December 2010	Chrysler Group LLC	Warren, Michigan (Sterling Heights)
2010	Ford	Wayne, Michigan (Wayne Assembly)
2011	Ford	St. Paul, Minnesota (Twin City Assembly)

Source: Automotive News, Chrysler, General Motors, and other public sources.

Noted: Table does not include of closure of stamping and powertrain plants.

In year 2010, the economy picked up and the whole automotive industry was in a recovery period. The sales of cars showed an increase but the result is not as good as in the year before crisis. The trend of automotive industry in year 2011 is going to focus into environmental cars. (Eco-cars challenge, 2009) The competition is very challenging to the student. This competition is held by U.S department of energy to create a creative eco – car. (U.S. department of energy, 2010) As a conclusion, automotive industry is making the changing from time to time till fulfill the demand of customer. Design and other features of cars are demanding from consumer is making the challenge for the industry.

## 2.2 *World Automotive Industry*

The top five automotive countries in the world are U.S., Japan, China, Germany and South Korea. U.S is the top consumer and manufacturer automotive country in the world and it accounts for US\$6.6 million in the U.S. economy contribution. (Automotive online, 2010) The global automotive industry is expected to reach US\$1.9 trillion in year 2015. (Automotive online, 2010) Based on the OICA statistic data, among the top five countries, China (2009: 13,790,994 vehicles) leads the world manufacturer of automation. Japan was the world largest manufacturer in year 2008. Japanese automotive industry is focus more into quality of the cars.<sup>3</sup> Toyota and Honda is the best example automotive company for Japan. The most manufacturer of automotive in the world is Japanese vehicle, which is Toyota (2009: around 7,234,000 units' vehicle)

When looking in the market nowadays the automotive industry is highly diversified and, the investment spans over several enterprises. Thus , bringing six features benefits which are (a) rising of foreign investment in developing country; (b) offer support to other industries like steel, iron, petroleum; (c) continue investment in research and development could help the growth of country; (d) increase standard of living in a country; (e) increase job opportunities ; (f) adequate infrastructural facilities. Overall, the fluctuation of economy is quiet slow even in U.S, hence investment in automation would boost the economy hit another peak.

The latest trend of automotive industries in the year of 2010 are focused in (a) acceleration in merger and acquisition; (b) wholly share investment (e.g Mercedes made an investment in Algabama) ; (c) create environment friendly energy like solar ; (d)

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<sup>3</sup> Quality is the main focus in car production due to Kanban system is applied in Toyota and Honda Production. Kanban system is a scheduling system that tell us what to produce, when to produce and how much to produce in a specific timeline. This is to make sure that the company meets the JIT inventory schedule.



procurement collaboration and (e) focus on vehicle supply chain management. (Sudripto, 2010) In year 2010, the automotive market is in maturity compared to the previous years and the companies seek various ways in mastering the technical skills and expansion their market, in the meantime showed the globalization of the industry. Globalization indicated that the whole wide world could access the same information in the same time so do vehicles. This encourages automotive company to participate in international trade which involve in the agreement for WTO, NAFTA, and ASEAN for trading globally.

After the hard competition among the existing competitors, GM, Ford, Toyota, Volkswagen and Hyundai have gained a favorite from the consumers. However Toyota is the most outstanding automotive company in 2009 (14,468,878 vehicles) (OICA, 2007) Indeed, the price is affordable and has a high second value in the market. According to the automotive news data center showed that the global automotive partnerships within the major company (GM, Ford, and Toyota) is owned by stakeholders and self-owned. Apparently, most of the companies are likely to joint venture when they entered into foreign market which is showed in appendix 1. GM, Ford and DC are the tops three companies in U.S which constantly lead the vehicle market share until now .Surprisingly, in 2006, Toyota had climbed over these three top companies in US and owned the major shares in the market. (Gopal.C: 2006)

Unfortunately, the whole automotive industries were hit hard by economy slowdown with enormous amount of losses during 2008 – 2009. In 2008, the global sub-prime crisis and high pricing pressure on raw material make the situation worst. (Nicolae.S, 2009) GM and DC, these big two companies were facing potential bankrupt in the U.S. in year 2008. This crisis caused the whole automotive industries facing a big difficulty and retrenchment.

Fortunately, in year 2010, with helping of each local government, most of the car companies run out from the verge of bankruptcy. As consumers could borrow loan with least interest rate from banks for vehicle loan in the economy crisis due to government encourage spending.

As data showed below the demand of vehicle had achieved the best sales record in year 2005 but dropped slowly due to the economic crisis. Without doubt, Asia was the biggest victim in this crisis, with unexpected economy crisis; many of workers lost their job. After that, the strongest investment bank in U.S (Lehman Brother Holding Inc) announced bankrupt in 2008. (Hasan, 2008) No one could exclude from the slow fluctuation economy.

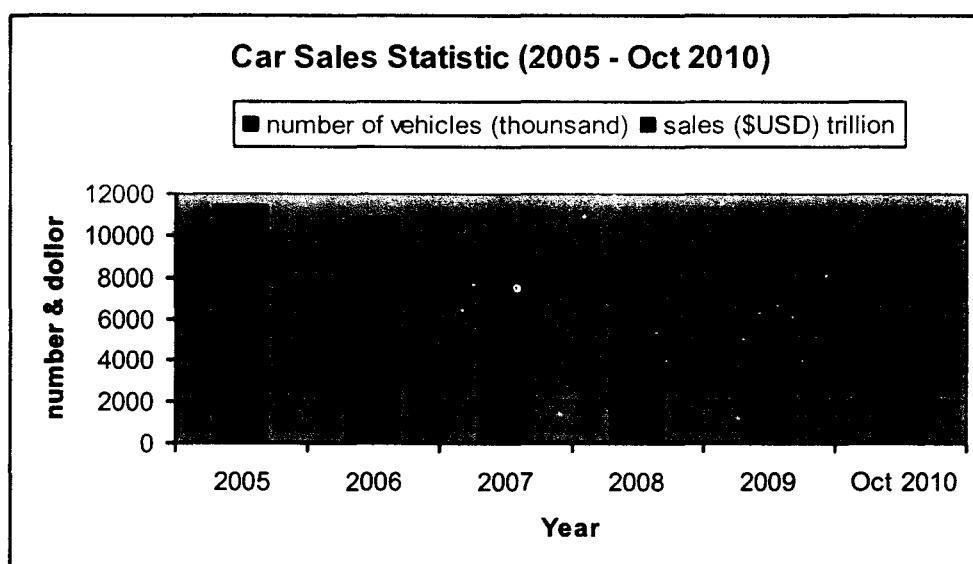


Figure 2.2: Car Sales Statistic

*Source: Motor Vehicle Administration.*

According to J.D.Power & Associates estimated that in 2011, economy will be recovered soon however in automotive industry the actual sales in 2010 were unstable and moving inconstantly. Therefore, they need more time to recover. (Omar.R, 2010) The growth forecast in the U.S. is slightly low reflected by low demand for luxury cars, sport utility vehicle and truck. In this hard period, most people choose to savings instead of spending. So

the average purchasing power of the citizen in U.S. is more into the general low feature content vehicle simply just for the basic needs. (Hsu.J.C, 2002)

Forecast of the automotive industry based on the demand of market, average income level, customers' needs and wants of innovative products will lead to the increase sells of automotive. For instance, new cars exhibition is a good spot where all potential customers gather together for purchasing. By 2020, nearly 10 percent of China citizen will own an automotive and by 2015, China and India will develop with projected 3.25 billion. China and India is projected to be a very huge market for automotive industry in these coming ten years. The current technologies will forecast to have standard options (WI-FI hookup to provide weather information, news and other information; onboard cameras will help detect blind spot and voice commands) in most vehicles. (Global Foresight Inc., 2010) The forecast of automotive industry will boost up the whole economy the country and in the meantime can develop other industry like oil and gas. The increase price of oil will make the complement product like vehicle have the instability of sale.

### **2.3 *Thailand Automotive Industry***

Thailand automotive industry is known as “Detroit of Asia” (Shamila, J, 2010) and it is position as the vehicle assembly and export hub of Southeast Asia. Assuming that Asia will be a big market in this coming year and Thailand is one of the best manufacturing of automotive due to the automotive industries exhibition stated active participation of 35,823 in year 2010. (Tradex Company, 2009) Thailand is one of the top automotive industry in Southeast Asia which produces 999,378 cars (OICA, 2007) in year 2009, thus the local residents can enjoy a low cost car. For instance, Ford, GM, BMW, DC, Mitsubishi, Mazda,

Toyota, Isuzu, Honda and Nissan, have set up a manufacturing plants in Thailand for assembly and production.

In addition, Thailand Board of Investment offers attractive incentive scheme for the foreign investors. In fact, foreign companies have to pay a high tax in foreign country as the local government needs to protect domestic industries. In order to attract international automakers, Thailand government has relocated the production facilities in rural areas and provide new corporate income tax holiday between five to seven years for the investment project at minimum 10 billion baths. (BOI, 1997 - 2004) The incentive that Thailand government offers is an added advantage for automotive market growth in Thailand.

Automotive industry in Thailand give hope for Thailand to expands. Strategic locations of Thailand that near to Malaysia, Singapore and China make automotive industry expand. Government incentive and the support of environmental friendly or eco-car in Thailand make the industry develop. The most important reason is the country do not have national car<sup>4</sup> that harm the industry to enlarge. However, automotive industry contribute make to Thailand GDP. As we can see in the below figure the auto part that export from year 2008 reached more than USD\$3,000 million. It showed that automotive industry in Thailand is very important industry and contribute to their economic of growth.

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<sup>4</sup> Malaysia had proton and Indonesia had Timor

### 2008 Thailand's Auto Parts Exports

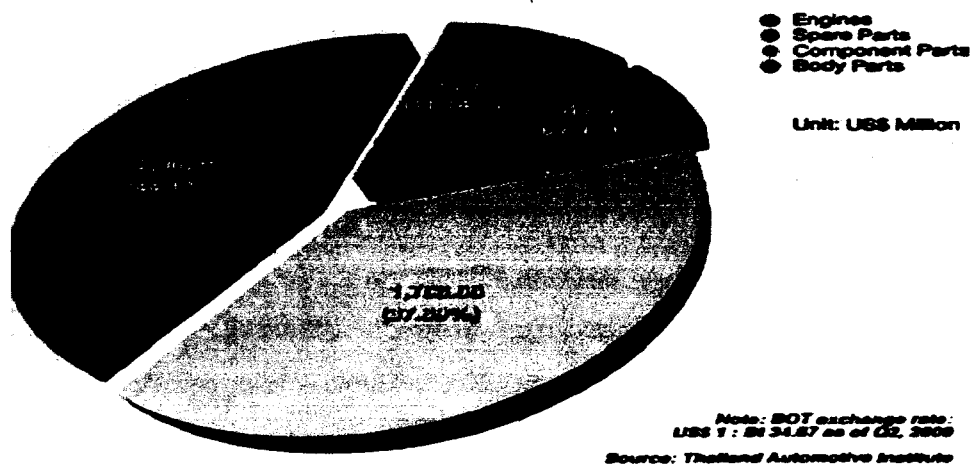


Figure 2.3: Thailand's Auto Parts Exports in year 2008.

U.S department of Energy making a competition for design of eco-cars, these announce to the world market that the next coming challenge of the automotive industry will be demand for the eco-cars<sup>5</sup>. Thailand government is supporting the theme by using incentives<sup>6</sup> for the automotive industry to produce more eco-cars. R&D and design of eco-cars need the automotive industry for investment. In Thailand, most Japanese and India's Tata Motors had investing 10 billion baht in eco-car projects. (Vithoon,A., 2009) Based on the Vithoon,A (2009) article it stated that Toyota Motor, Mitsubishi Motors, Nissan Motor, Honda Motor and Suzuki Motor are interested to the eco-cars concept and heading toward for manufacturing of it.

Thailand is imposing a very high import duty (Customs Thai, 2010) in the region, because of this it encourage local production of car to fulfill the local and export market.

Thailand auto export will be covering the market include Australia, Asia, the Middle East

<sup>5</sup> Eco-cars define as the advance of technology into reducing petroleum consumption and greenhouse gas for automotive.

<sup>6</sup> Thailand government rewarding eco car manufacturer with 50% cut in excise duty, no income tax for 8 years and 0 import duty for factory machinery imports. To qualify, it has to achieve 20km/l and emit less than 120g/km of CO2. Engine capacity not exceeds 1.3 liters of petrol and 1.4 liters of diesels. Retrieved on 30 December 2010 from <http://www.sonirodban.com/nissan-eco-car-micra-nissan-march.html>

and South Africa. Toyota Motor led the Thailand market's for production in year 2009 and it started the production of Prius at Thailand in the end of November 2010. (Business News, 2010) Toyota Company at Thailand in year 2010 had exceeded total sales of 780,000 units. (Jones D, 2010) Toyota was showing a very proud result of the sales figure and this was bringing out the good news of recovering in automotive industry after the crisis in year 2008 – 2009.

As a conclusion, Thailand automotive still had the expansion level if the growing is projected in master plan for automobiles, in economically the country will continued to growth. Meanwhile, it will help the employment rate of the country to growth.

#### **2.4 *Malaysia Automotive Industry***

Malaysia automotive industry started in year 1960s when Colombo Plan expert recommended it. Government started to encourage automotive industry using the policy of assembly automotive and manufacturing of component parts. In year 1984, Malaysia started to have national car which is PROTON. The second national car company was established in year 1992 by the name of PERODUA. Both companies have a nominated Malaysia market of 90 per cent. Malaysia government implements a lot of policy<sup>7</sup> to encourage local product and protect local manufacturer. Import duty and tax of Malaysia government implements is very high (above 2500cc vehicle tax rates is 165%) and showed in below Table 2.2.

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<sup>7</sup> Policy like implement high taxes for import car and Purchase Local product (Belilah Barang Buatan Malaysia Slogon)

Table 2.2: Import duty for motors cars, 4WD and MPVs, Vans and Commercial Vehicle.

⊙ **A) Motor Cars (Including Station Wagons, Sports Cars and Racing Cars)**

	IMPORT DUTY						LOCAL TAXES	
	CBU		CKD		MSP		CBU & CKD	
Engine Capacity (cc)	MFN	ASEAN CEPT	MFN	ASEAN CEPT	MFN	ASEAN CEPT	Excise Duties	Sales Tax
< 1,800	30%	0%	10%	0%	10%	n.a	75%	10%
1,800 - 1,999	30%	0%	10%	0%	10%	n.a	80%	10%
2,000 - 2,499	30%	0%	10%	0%	10%	n.a	90%	10%
Above 2,500	30%	0%	10%	0%	10%	n.a	105%	10%

⊙ **B) Four Wheel Drive Vehicles**

	IMPORT DUTY						LOCAL TAXES	
	CBU		CKD		MSP		CBU & CKD	
Engine Capacity (cc)	MFN	ASEAN CEPT	MFN	ASEAN CEPT	MFN	ASEAN CEPT	Excise Duties	Sales Tax
< 1,800	30%	0%	10%	0%	10%	n.a	65%	10%
1,800 - 1,999	30%	0%	10%	0%	10%	n.a	75%	10%
2,000 - 2,499	30%	0%	10%	0%	10%	n.a	90%	10%
Above 2,500	30%	0%	10%	0%	10%	n.a	105%	10%

⊙ **C) Others (MPV & VAN)**

	IMPORT DUTY						LOCAL TAXES	
	CBU		CKD		MSP		CBU & CKD	
Engine Capacity (cc)	MFN	ASEAN CEPT	MFN	ASEAN CEPT	MFN	ASEAN CEPT	Excise Duties	Sales Tax
< 1,500	30%	0%	NIL	0%	NIL	n.a	60%	10%
1,500 - 1,799	30%	0%	10%	0%	10%	n.a	65%	10%
1,800 - 1,999	30%	0%	10%	0%	10%	n.a	75%	10%
2,000 - 2,499	30%	0%	10%	0%	10%	n.a	90%	10%
Above 2,500	30%	0%	10%	0%	10%	n.a	105%	10%

⊙ **D) Commercial Vehicles**

	IMPORT DUTY						LOCAL TAXES	
	CBU		CKD		MSP		CBU & CKD	
Class	MFN	ASEAN CEPT	MFN	ASEAN CEPT	MFN	ASEAN CEPT	Excise Duties	Sales Tax
All	30%	0%	NIL	0%	NIL	n.a	NIL	10%

**Notes :**

MFN = Most Favoured Nation

MSP = multi-sourcing parts

n.a = not applicable.

*Noted: CBU stand for New Diesel car; CKD stand for Diesel cars.*

*Sources: Malaysia Automotive Association*

Malaysia automotive industry is dominated by PROTON and PERODUA, the domestic sales of automotive result showed that PERODUA was having an increasing figure. PROTON was having fluctuation domestic sales figure as showed in below figure 2.4. Next automotive company that demands the most for local market was Toyota. From year to year Toyota was showing an increasing figure.

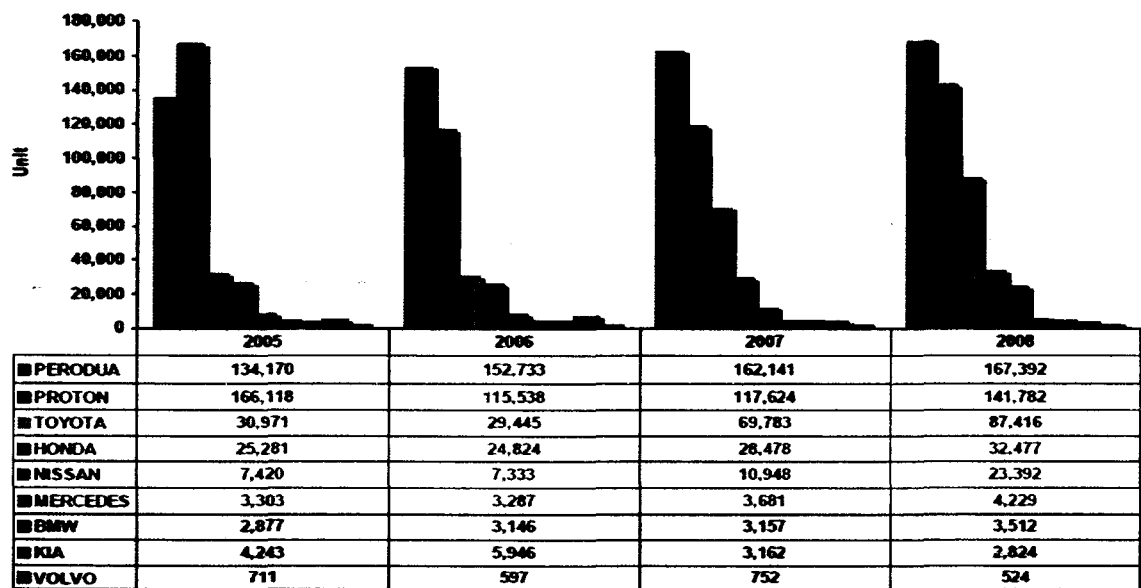
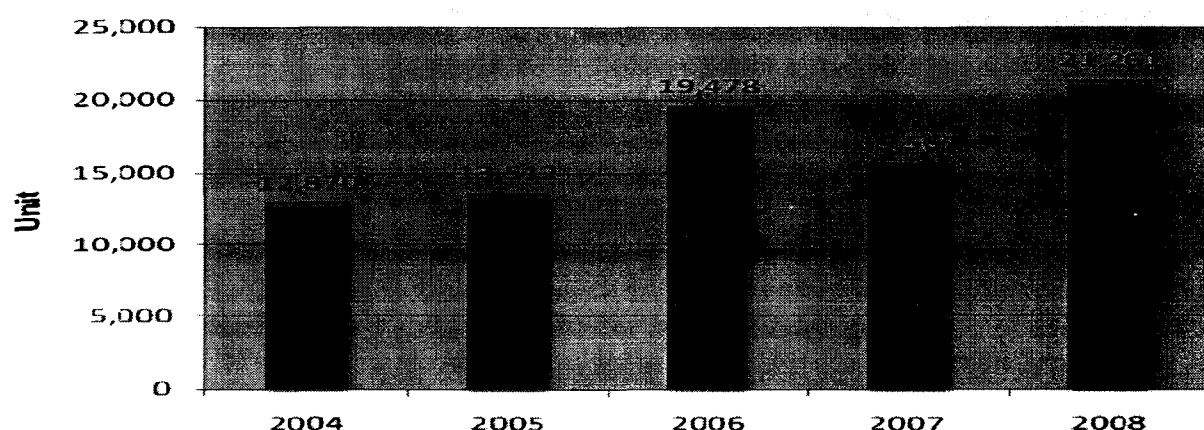


Figure 2.4: Malaysia: Domestic sales of passenger vehicle by make, 2005 – 2008  
Source: Malaysia Automation Association (MAA)

Malaysia PROTON cars were supplying not only for local market, it also supply for export market. Figure 2.5 showed the amount of vehicle that PROTON export based on four different regions in year 2004 – 2008. As the figure 2.5 showed below the most import country of PROTON car was Middle East / Africa regions in year 2004 – 2007. In year 2008, PROTON’s sales the most to Asia / ASEAN country.





Year	Europe	Middle East/Africa	Asia/Pacific	Australia/Oceania	Total
2008	1,653	8,992	9,341	1,375	21,261
2007	2,215	7,279	4,358	1,715	15,567
2006	3,353	10,139	2,416	3,570	19,478
2005	2,938	5,039	4,146	1,389	13,512
2004	1,461	8,385	2,222	802	12,870

Figure 2.5: Malaysia: Export of PROTON cars, 2004 – 2008

Source: PROTON

Economic crisis in year 2008 was impacted Malaysia automotive industry in year 2009. Automotive industry is providing living hood sector that employing more than 200,000 people. The crisis makes the TIV in year 2009 drop dramatically (a drop of 8.8 per cent). As said by OSK Research motor analyst Ahmad Maghfur Usman “we are optimistic of the longer term prospects of industry going forward as the TIV would grow by 3.7 per cent next year from 500,000 units projected in 2009” (Car maker Malaysia, 2009 – 2010) As a result, automotive industry can strengthen their sales by advertisement and promotion of new cars launching. Malaysia TIV over the past 20 years was showing in the Appendix 2. It was showing an increasing figure started year 1980 till 2000 but in 2006 was showing a declining figure due to the financial crisis hits Asia and affected the volume. It showed a peak result in year 2005 which was reach 552,316 units.

The manufacturing sector has faced several problems. (i) Since March 2006 competitor from ASEAN producer occur (ii) first tier vendor are over capacity when Proton

not make good expansion (iii) Seasoned fluctuation of the industry which peaked before Ramadan and light to the end of year (iv) Financial crisis in year 2009 made the situation worse. (Ragayah H.M.Z & Faridah S., 2009) In year 2010, the economy was slowly recovering and the sales and demand of cars is picking up as the TIV in 2010 projected an increase of 2.4 per cents. (Thestar, 2010) In year 2010 Malaysia's automotive industry showed an improvement in the project. Example Sime Darby Company has taken over the Porche franchise; Bcorp bonds with China based company to develop cars for ASEAN market; and DRB-Hicom bonds with Volkswagen. (Ann, 2011)

In 2011, it can be forecasted that there will be a lot of new model cars. The Star newspaper (Feb 10, 2011, *What to expect in 2011*, <http://star-motoring.com/Previews/2011/What-to-expect-in-2011.aspx>) published the new type of models that will be arriving in Malaysia as shown in Appendix 3. Optimistic expectation shows in the automotive industry for the new launching of vehicle. Managing Director of PERODUA gives a high expectation toward the automotive industry in Malaysia which is estimated to hit new high sales for the projected TIV of 600,000 due to the healthy economic growth as well as new cars buyers appear. (Eugene M, 2010) The forecast of automotive industry for Malaysia is showing a positive result and hopefully the result will lead to economic recovery of Malaysia (lower the unemployment rate) in year 2011.

## **2.5 Toyota Manufacturer**

Toyota Motor Co. Ltd was establishing in year 1937, the company is located in Japan. (Toyota, 1995 - 2011) The company vision is rewarded with a smile by exceeding your expectations. According to OICA statistic, Toyota was the best manufacturing vehicle in the

world stated the record of 7,234,000 units in year 2009. Toyota had a group of subsidiary which does moulding, design, door sash, engine till finish product of vehicle. Toyota Group of company includes Toyota Industries Corporation, Aichi Steel Corporation, JTEKT Corporation, Denson Corporation, and Toyota Gosei Co., Ltd. (Toyota, 1995 – 2011) Tostem Thai Co. Ltd is one of the subsidiary manufacturing of door sash in Thailand. Toyota Company had established a few models like Camry, Corrolla Altis, Fortuner, Vios, Innova, Avanza and Hilux. (Yahoo auto, 2011)

## **2.6     *General Motor Manufacturer***

General motor is one of the world's largest automakers, the company started in the year of 1908. The headquarters of the company is in Detroit, U.S. The company vision statement is to be the world leader in transportation products and related services. We will earn our customers' enthusiasm through continuous improvement driven by the integrity, teamwork, and innovation of GM people. GM is specialize in the manufacture of cars and trucks selling them in 31 countries under the brands of Buick, Cadillac, Chevrolet, GMC, DM Daewoo, Holden, Vauxhall and Opel. GM's largest national market is China, followed by U.S., Brazil, the United Kingdom, Germany, Canada and Russia. (GM, 2011)

## Chapter 3: Literature Review

### 3.0 Introduction

In this chapter, relocation, internationalization and market penetration will be reviewed and analyzed to further justify the case. The report will try to explain the reasons for why relocation is being made and why Ingress has decided to expand its market to Thailand. It will also clarify meaning of relocation and internationalization. Additionally, balanced scorecard and model 5 porters will be reviewed.

### 3.1 Relocation

*Relocation contains two different questions which were what we plan and what actually happen.* (Counter,I.I & Biles, M., 1994) Both questions play a very significant way in move of a company. Refer to online dictionary relocation means of transferring of person to a new settlement or changing your residential or place of business. (AudioEnglish.net, 2010) Oxford dictionary indicate that relocation means to move or move one's factory, offices etc to a new place. (Oxford Dictionary, 1995)

Relocation may happen in four type of economic situation based on the business situation. *First were Growth firms in single sites during recession, second were growth firms in single sites during "boom", third growth firms in multiple sites during "boom" and last were growth firms in multiple sites during "recession".* (Dettwiler, P., 2008) During recession, relocation of firms is not a good choice due to the firm need to concentrate on its current division at this period. However, relocation still will be happen if the firm decides to downsize the workforce and accessing a low labor cost such as China, Thailand and Laos.